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Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Subcommittee on Oversight and Investigations
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"Over-regulation of Automobile Insurance:
A Lack of Consumer Choice"

I am very pleased that Chairwoman Kelly is holding this hearing today to examine the effect of over-regulation of automobile insurance on consumer choice. Consumers deserve the right to do business with the insurance companies of their choice. Unfortunately, in States such as New Jersey and Massachusetts where insurers have fled in droves, consumers are being denied this right.

In June, New Jersey's largest automobile insurer, State Farm, announced that it was withdrawing from the New Jersey market due to the "highly politicized and over-regulated" environment. Following closely on State Farm's heels was AIG which described the New Jersey business climate as "untenable."

As a result of these decisions, in excess of **<u>one million</u>** New Jersey drivers will lose their coverage. That is more than **<u>one out of every five</u>** drivers in New Jersey who will need to obtain new insurance policies at potentially higher rates.

Regulation becomes a real problem when it goes from protecting consumers to harming consumers. How can you rationalize to the one million New Jersey consumers losing their automobile insurance that price controls are intended to help them? Pushing insurance companies out of the State undermines competitive pricing and eliminates the right of consumers' to take advantage of the benefits of a strong and highly competitive industry.

Massachusetts may be in even worse shape. Two-thirds of the top 15 national auto insurance companies write minimal or no private passenger automobile insurance in the State.

Why are consumers in Massachusetts denied the same range of choices as consumers in other States? And why are Massachusetts and New Jersey afraid to adopt the models used successfully in Illinois and now South

Carolina, which have opened up their insurance markets to more competition and free market pricing?

South Carolina recently moved from “command and control” regulation to a more market-oriented approach. In just two years, South Carolina has doubled the number of insurers doing business in the State. As the Committee heard in an earlier hearing this year, Illinois’ consumers have been able to purchase automobile insurance from a large number of companies at reasonable prices for the last thirty years. These States should be looked to as examples.

I would like to thank Chairwoman Kelly for holding this hearing, and I yield back the balance of my time.

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